

PUBLIC EMPLOYEES' RETIREMENT BOARD
100 N Park
Helena MT 59620

Board Legislative Committee Minutes
Tuesday March 27, 2007
1:30 PM

Committee Members: Troy McGee and John Paull. Bob Griffith excused.

Staff: Roxanne Minnehan, Melanie Symons, Scott Miller
Barbara Quinn and Kathy Samson, MPERA.

Other Attendees: Terrence Smith, Board Member by phone

Approval of Committee Minutes – Troy McGee made the motion to accept and John Paull seconded the motion for the minutes of the March 20, 2007 meeting.

Public Comment – *No public comment.*

Executive Director's Report

HB125 – Repay loan for startup costs of the defined contribution retirement plan. Sponsored by Dave Kasten. This bill passed the House State Administration Committee (17-1) on March 19th. Passed the House floor (89-11) on March 21st. Referred to House Appropriations and passed (12-7) on March 26th. Scheduled for second reading on the House floor March 27th.

HB129 – the General Revisions Bill. Sponsored by Dave Gallik. Passed House State Administration (18-0) on January 19th. It passed out of Senate State Administration Committee on March 19th with an 11-0 vote. Passed second reading on the Senate floor (47-0) on March 24th and third reading (48-0) on March 26th. Sent to enrolling.

HB159 – the Funding Bill. Sponsored by Representative Carol Lambert and Senator Larry Jent. This bill increases the employer contribution over two biennia for PERS and SRS. It also changes the allocation of the excess contribution for DC members to 1) pay the DC implementation loan; 2) pay down the PCR-UAL and 3) fund the disability plan. The bill makes no modifications to the current GABA. The bill was heard in the House State Administration Committee. **This bill was tabled** in committee on March 19th with an 11-7 vote. An effort by Rep. Jacobson to revive it on the House floor failed (53-44).

HB131 – Generally revise public employee retirement laws. This is the Governor's bill for reducing the GABA and minimally increasing employer contributions to actuarially fund the systems. **PERB opposes** this bill in its original form and as amended. It diminishes the current plan and creates disparity among members. The amendments

also cause PERS and SRS to not be actuarially sound. This bill was moved to the House State Administration Committee. On March 19th the committee made 2 amendments to the bill and passed it on to the House floor with an 11-7 vote.

The amendments split the contribution increase over two biennia and took out the language that allocated the employer contribution to 1) pay the DC loan, 2) pay down the plan choice rate and 3) fund the disability plan. This means there could be problems if HB125 does not pass. A third amendment did not pass – to take the small systems out of HB131 – by a 10-8 vote.

After much debate and several attempts to revise this bill passed the third reading on the House floor (73-26) as originally amended. The bill was passed to the Senate on March 24th and has been assigned to the Senate Finance and Claims.

Bill Review

HB13 – State Pay Plan Bill. Transmitted to the Governor on March 20, 2007.

HB63 – Actuarially fund the teacher retirement system. This is the teachers' bill that will give the TRS a \$100 million infusion, but will keep GABA at 1.5 percent. PERB is *monitoring*. This bill has been moved from House Appropriations to House State Administration. It was heard on Monday, February 5th. David Senn, Executive Director of TRS spoke on this bill, as did David Ewer, Budget Director, and Tom Bilodeau. There were two opponents of this bill, Bob Vogel and Darrell Rudd. A discussion of various contracts for school superintendents ensued with various questions from committee members. One inquiry was regarding the increase in employer contributions rates for the TRS. The bill was amended in the committee to remove the tightening of loopholes. Executive action is expected on March 26th.

HB67 – Clarify poll of Legislature for administrative rules. PERB is *tracking*. This bill has passed both the House and Senate unanimously and has been transmitted to the Governor.

HB70 – Revise laws governing publication and distribution of administrative rules. PERB is *tracking*. This bill has passed both the House and Senate unanimously and has been transmitted to the Governor.

HB81 – Generally revise teacher retirement system laws. PERB is *monitoring*. This bill has passed out of the House and into the Senate. The bill was heard in the Senate State Administration on March 12th and passed out of committee immediately. Passed the Senate on March 16th and transmitted to the Governor.

HB95 – Provide increase in employer contribution to optional retirement program. PERB is *monitoring*. This bill was re-assigned to the House State Administration Committee from the Appropriations Committee. It passed out of committee (15-3). Passed the House floor (81-18). Was re-referred to House Appropriations and passed (17-2). Scheduled for second reading March 27th.

HB97 – Revise procedure for review of administrative rules. This bill will create a new committee and another level of review/revision in the rulemaking process. It slows down the legislative process. PERB lobbyists will provide *information* to Dal Smilie, chief legal counsel for the Department of Administration. As of February 20, 2007, the bill passed second reading 99-1 and was referred to the House Appropriations Committee. On February 24, 2007, this bill has transferred from the House to the Senate. Heard in the Senate State Administration on March 23rd.

HB442 – Legislative review of fiscal note accuracy. As of February 26th, this bill has transferred from the House to the Senate. **It was tabled on March 20th.**

HB544 – Allow for the withholding of dues from retirement pensions. PERB *opposes* this bill. It is anticipated a ½ time FTE would be required to track and monitor the processing of the dues. It also opens the door for other organizations to request the same rights. This proposal starts with a mandate that the retiree group who belong to an organization comprise at least 50% of the active member number. There have been amendments to this bill already and the anticipation is that administrative rules would be drafted to direct the implementation of the bill. The PERB may be willing to accept this bill if funds were appropriated from the state general fund. John Paull spoke of the need to require an application to process the deductions. It was the feeling of the committee that we are not in the deduction business. MPERA would be allocating funds to implement an option that would benefit less than ½ of the retirement population. The thought was this is not appropriate spending by the PERB. The bill was heard on February 13th. The bill is being amended to only affect the Highway Patrol Officers' and the Municipal Police Officers' retirement system. As of February 27th, the bill passed the House. Rep Jacobson stated a precedent has been set because state payroll takes several types of deductions from employee checks. A question was asked whether we could charge the organizations for this service. This bill was heard in the Senate State Administration on March 23rd at 3pm. Senate State Administration questioned the expense to upgrade the retiree database. They have requested ITSD verify our estimate. ITSD gave an affirmative opinion on the MPERA estimate for the system upgrades.

HB559 – Increase exclusion of retirement benefits on state income tax from \$3600 to \$5400. PERB will *monitor* the bill. As of February 14, 2007, the bill passed the House by a unanimous vote. This bill will only help a few of the lower paid benefit recipients. Scheduled for hearing on March 27th in Senate Judiciary.

HB618 – Establish statewide account for employee termination costs. PERB is *tracking*. The bill passed the House on February 26th and was transferred to the Senate. Heard in the Senate Finance and Claims on March 20th.

HB639 – Create volunteer EMT retirement system. PERB is *informational/opposes*. The retirement system is modeled after the VFCA and would take approximately 10 years for the system to become active. Ms. Minnehan and Ms. Symons spoke with Rep. Bergren about this bill. There are many unanswered questions and concerns about this bill. PERA is prepared to discuss the Boards questions and concerns. This bill was heard

in the House Appropriations on March 20th. Ms. Minnehan voiced concerns with the bill and asked that a study be done prior to going forward with the bill. The hospital association opposed. **It was tabled on March 22nd.**

HB765 – Revise retirement laws. The PERB *opposed* this bill for adverse selection and special interest for a select few individuals. The purpose of this bill is to provide certain persons that are serving in the Montana legislature to revoke an irrevocable election. The bill passed the House and has transferred to the Senate as of February 27th. Staff has discussed this with Dave Senn, TRS Executive Director. He states the election for legislature is meant to bridge their service. This bill was heard on March 23rd in the Senate State Administration committee. Ms. Symons suggested that they try once again to have the bill amended.

HB771 – Revise actuarial valuations and reporting for retirement systems. PERB is *informational*. The bill appears to be asking for information that is already being provided. The bill proposes annual actuarial evaluations but allows the extra expense to be excluded from the Board's budget cap. The bill has passed the House and has moved to the Senate as of February 27th. This bill was heard in the Senate State Administration on March 26th at 3pm.

HB814 – Revise postretirement benefits and increases in statewide police retirement systems. This bill was requested by Senator Squires. She has requested Representative Hamilton sponsor the bill in the House. The bill provides a \$500 permanent ad hoc increase in retirement benefits for MPORS members retired prior to January 1, 1991 and an increase in the GABA for all members from 3% to 5%. The bill adds \$100M to the unfunded actuarial liability and extends the amortization period from 21.4 to infinity. **The bill was tabled** in committee.

HB824 – Exempt military pensions from state income tax. PERB will be *informational* unless it includes all pensions and then would *oppose*. This bill was heard in the Taxation committee on March 21st. The board has asked staff to go to the hearing and have clarified whether or not it includes all pensions or just military pensions. The way the bill is written it could be interpreted either way. Staff spoke with the sponsor – intent is military pensions only. An amendment was proposed to clarify.

HB827 – Revise pension plans for new hires. This bill was requested and written by Senator Balyeat. He requested Representative Himmelberger to sponsor and carry in the House. PERB *opposes* this bill for many technical reasons. This bill closes the PERS-DBRP, PERS-DCRP, TRS and ORP and establishes for PERS and TRS a new mandatory DC plan for all new hires beginning July 1, 2009. The actuary is looking at the cost to close the PERS-DB plan. Troy wanted to make it known that the board was not against a DC plan but the Board also questions why a new DC plan is needed. Terry thought staff ought to reaffirm to the legislature the value of the DB plans and let them know the amount of money returned to the communities by way of payment of benefits to retirees. **This bill was tabled by the committee.** The Committee also discussed proposing a study.

SB62 – Increase payment to advisory board members. PERB is *tracking*. This bill does not affect EIAC members. This bill passed the Senate unanimously, the House (63-37) and has been transmitted to the Governor.

SB168 – Transfers public employee accrued leave into post-retirement health care account. The PERB is *informational*. This bill does not include comp time. Employee contributions are paid on all lump sum distributions so it does not affect the system but does impact the retirement benefit. This bill is assigned to the Senate State Administration committee. MPERA was there as informational testimony on January 24th. The bill passed the Senate on February 23rd (49-0) and passed the House (81-17). The bill has been returned from Enrolling as of March 27, 2007.

SB175 – Prohibits application of rule until the rule is effective as law. PERB is *neutral and informational*. The bill is assigned to Senate State Administration committee. The bill passed the House State Administration Committee and Rep. McNutt is to carry the bill on the House floor. The bill passed the 3rd reading on the floor (99-0). The bill has been returned to the Senate with amendments on March 23rd.

SB177 – Extend time for challenging agency actions. This bill has passed the Senate and has transferred to the House. It was heard in the Judiciary on March 20th.

SB467 – Revise membership and meetings of board of investments. The PERB will *monitor*. The bill, with amendments, would allow BOI to keep the current number of voting members and add two non-voting members from the legislature, a Senator and a Representative from different parties with applicable experience. The bill passed the Senate and transferred to the House as of February 27th. This bill passed (16-0) the House Business and Labor on March 26th.

SB489 - Allow Public Funds to Invest in Private Corporate Capital Stock. The PERB will *monitor* this bill. This bill requires a Constitutional amendment. To allow up to 25% of certain public funds to be invested in private corporate capital stock. The bill passed the Senate and was assigned to House State Administration and heard March 22nd.

SB532 - Revise firefighter's retirement laws. This bill was amended and the PERB *supports* as amended. There are now two major points to this bill.

- 1) Authorizing participation in the retirement system by certain fire departments
- 2) Authorizing return to service for a limited number of hours (480 ~~980~~) without loss of benefits.

Also amended out was the change in the definition of compensation and the DROP. The bill passed out of Committee. The bill transferred to the House on February 28th. This bill will be heard on March 23rd in the House State Administration. House State Administration heard the bill on March 23rd. Several fire chiefs from rural departments testified that they spent money training firefighters that transferred to the nearest municipal department to be part of FURS for the retirement and disability benefits. The committee had a lot of questions. No executive action was taken.

Other discussion

Regarding HB131 - Sen. Lewis was understood to have said he did not want this bill going back to the House. Mr. Smith asked about how this bill is now tied to the 800 series budget bills by a contingency voidness provision. Ms. Symons said she would contact the Legislative Council to learn more but that the bill would probably need to go back to the House if those bills died.

Regarding HB827 – Bayleat’s intent was for the sliding scale to be two part. Part to the employee and part to pay to the funding of the DB plan. He agreed to amend the bill so that his intent was understood. It is thought that this bill is probably tabled for the remainder of the session but the study will probably happen.

Regarding SB532 – The firefighter’s may be starting to worry about this bill. The local governments are in favor of the bill but the legislators remain worried about the impact to the local government employers. It was discussed in this meeting that the local governments would have to try to get an exclusion from paying Social Security and that may be difficult. It’s thought that the exclusion would be granted for an entity not an individual.

Transmittal of the bills with amendments has to be complete by April 5th.

Easter break is scheduled for April 6-8 but there are hearings scheduled for the 6th. Maybe the break will be April 7-9.

Un-introduced Legislation

None

Other Business

The next meeting will be April 3, 2007. There being nothing else to come before the committee, Mr. McGee made a motion to adjourn the meeting. The motion was seconded by Mr. Paull and the meeting was adjourned at 2:35 pm.